

Department Calls Hearing

William (Bill) Lyons, Jr.
Secretary

The Department has scheduled a public hearing to consider amendments to the Stabilization and Marketing Plans for Market Milk for the Northern California and Southern California Marketing Areas. The hearing will be held on January 29, 2003, beginning at 9:00 a.m., in Sacramento, at the Holiday Inn Capitol Plaza, 300 J Street, in the California Room. If necessary, the hearing may be continued to the following day, January 30, 2003, at the same location.

The petition received from Western United requested that the yields and the manufacturing make allowance in both the Class 4a and 4b price formulas be reviewed in the hearing. The Department broadened the call of the hearing to include consideration of all aspects of the Class 4a and 4b pricing formulas. Additionally, because Class 2 (milk used to makes soft dairy products such as cottage cheese, yogurt and sour cream) & 3 (milk used to make frozen dairy products) price formulas are linked to Class 4a prices, the hearing was broadened to consider the Class 2 and 3 price formulas.

The Department also received an alternative proposal from the California Dairy Women that would amend the Class 4a and 4b price formulas to use the higher of the market price or the support price in the price calculations.

The Department will accept alternative proposals for consideration at the hearing - these proposals must be

received by the Department's Dairy Marketing Branch by 4:00 p.m., January 8, 2003. Alternative proposals can be faxed to (916) 654-0867 or mailed to: Hearing Officer, Dairy Marketing Branch, California Department of Food and Agriculture, 1220 N Street, Sacramento, CA 95814. In addition to a signed copy, please e-mail a copy of the proposal to: dairy@cdfa.ca.gov for posting to the web site.

To assist interested persons in preparing for the hearing, a public workshop will be held on January 22, 2003, at the Holiday Inn Capitol Plaza, 300 J Street, Sacramento, in the Fresno Room, beginning at 9:00 a.m. At this workshop, interested persons can review and discuss all the proposals with Department staff and other interested parties. The Department will supply background and analysis of the petitions and alternative proposals submitted by the January 8, 2003 deadline. The workshop will be informal and educational in nature and discussion during the workshop will not be part of the official hearing record. Hearing information is also accessible on the Department's web site at www.cdfa.ca.gov/dairy. From the web site, click on "Public Hearings."

All interested parties are encouraged to attend and participate in the public hearing. If you are unable to

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OCTOBER MILK PRODUCTION

Milk production in California for October 2002 totaled 2.92 billion pounds, up 4.9 percent from October 2001. USDA's estimate for U.S. milk production for October 2002 in the 20 major dairy states is 12.0 billion pounds, up 2.3 percent from October 2001. Production per cow in the 20 major states averaged 1,544 pounds for October, which is 22 pounds above October 2001. ☀

MINIMUM CLASS PRICES

Statewide average hundredweight prices

Class	November	December
1	\$13.34	\$12.46
2	\$10.73	\$11.00
3	\$10.57	\$10.83
4a	\$10.19	----
4b	\$ 8.97	----

FEDERAL ORDER AND CALIFORNIA MINIMUM CLASS 1 PRICES

Average Hundredweight Prices

Regions	November	December
Phoenix, Arizona	\$12.95	\$12.87
Southern California	\$13.47	\$12.60
Portland, Oregon	\$12.50	\$12.42
Northern California	\$13.20	\$12.33
Boston (Northeast)	\$13.85	\$13.77

QUOTA TRANSFER SUMMARY

For October 2002, 6 dairy producers transferred 5,527 pounds of SNF quota. October quota sales averaged \$517 per pound of SNF (without cows), an average ratio of 2.44. For November 2002, 2 dairy producers transferred 956 pounds of SNF quota. November quota sales averaged \$526 per pound of SNF (without cows), an average ratio of 1.97. ☀

ALFALFA UPDATE: NOVEMBER

Northern California: In early October, Premium and Supreme alfalfa was steady to firm, however rain later in the month brought new hay sales to a halt. There was not enough quality Alfalfa sold for an accurate comparison. Retail and Stable hay was fully steady with some hay coming out of barns. Fair and Good alfalfa was steady to light with moderate demand.

Southern California: Supreme alfalfa not well tested, Good and Premium alfalfa dairy hay was steady with very light offerings and demand. Retail and Stable hay buyers are waiting for hay to come out of barns. The export market remained slow, however there was some movement of Retail and Stable hay to the Eastern U.S. to dry states. ☀

SUPREME HAY PRICES

Statewide average prices per ton

Area	11/1	11/8	11/15	11/22
Petaluma	\$150-165	\$135-160	-----	\$160
North Valley ¹	\$147-175	\$140-165	-----	\$140-165
South Valley ²	\$148-175	\$145-175	\$157	\$168-173
Chino Valley	-----	-----	-----	-----

¹ North Valley is Escalon, Modesto and Turlock areas.

² South Valley is Tulare, Visalia and Hanford areas.

ALFALFA HAY SALES/DELIVERY

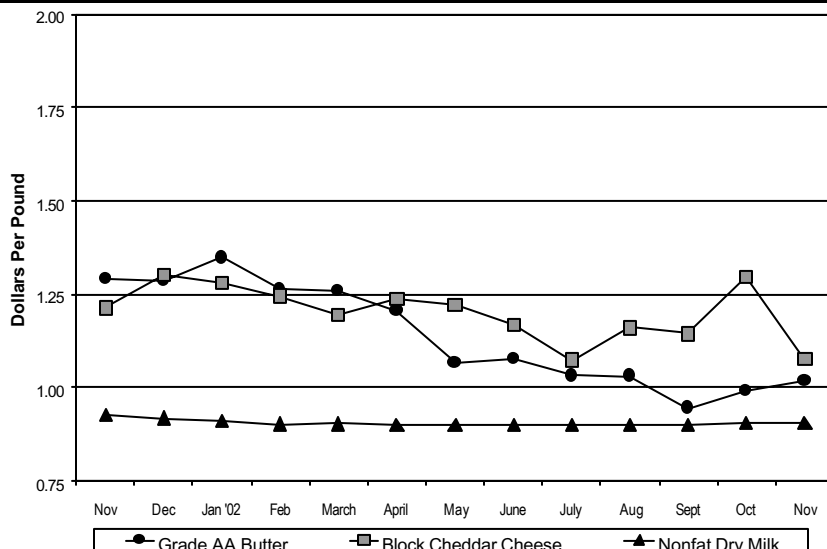
	October	November
Tons Sold ¹	158,140	114,018
Tons Delivered ²	89,712	62,193

¹ For current or future delivery.

² Contracted or current sales.

Alfalfa hay sales, deliveries and Supreme quality prices per ton, delivered to dairies, as reported by the USDA Market News Service, Moses Lake, WA, (509) 765-3611, <http://www.ams.usda.gov/marketnews.htm>

Grade AA Butter, Block Cheddar Cheese, and Nonfat Dry Milk Prices Used in the Calculation of California Class 1 Milk Prices





CALIFORNIA DEPARTMENT OF FOOD & AGRICULTURE

November 2002

Background

In May 2002, bovine tuberculosis was confirmed in a Tulare County dairy herd. The California Department of Food and Agriculture (CDFA), United States Department of Agriculture (USDA) and the cattle industry established a task force and are working together to control and eradicate the disease from California.

Current Status

In November, the affected herd was sent to slaughter and the owner is being compensated.

Recently, a complete herd test on another dairy herd in Tulare identified a single reactor animal. While preliminary results were positive, final culture results from a USDA laboratory are pending. As a precaution, the dairy has been quarantined.

Additionally, CDFA/USDA officials are tracing the source of a TB-positive animal found this month at a California slaughterhouse.

To date, 135,435 cattle have been tested for exposure to bovine TB since this investigation began.

Cumulative Since May 13, 2002	
Herds tested	89
Herds retested	1
Number of new herds positive and quarantined	2
Animals tested	135,435
Initial TB skin test responders	2,587
Reactors	132
Suspects	194
Reactors & suspects destroyed	478
Trace outs destroyed	345
Exposed animals destroyed from affected herd	7,015
Average field personnel assigned daily	19

What is California Doing to Eradicate the Disease?

- The affected herd was quarantined by the CDFA in May. The dairy was tested for TB on two-month intervals and test positive animals were removed from the herd. In November, the herd was sent to slaughter and the premises was thoroughly cleaned and disinfected.
- All cattle sold from or associated with the affected herd over the last five years are being traced and tested.

- Efforts to purchase and slaughter all cattle that left the affected herd are underway.

As a precaution and to protect other states, all dairy breeding animals leaving California that are more than six months of age require a negative TB test within 30 days of movement. At this time, this requirement does not apply to beef cattle.

Potential Impact for California's TB-free Status

California's bovine TB-free status has not changed at this time. There are various status levels that can be assigned to a state under the USDA TB eradication program: accredited free, modified accredited advanced, modified accredited, accreditation preparatory or non-accredited.

For California to maintain its accredited-free TB status, the USDA requires that an affected herd be depopulated and there is no evidence of TB spread. Furthermore, no more herds can be found infected in the following 48 months or the Free status will be lost.

California's status could be changed to Modified Accredited Advanced early next year if it is unable to satisfy these requirements. This would require all California breeding cattle to have official identification and a negative TB test within 60 days of interstate movement OR originate from a TB accredited-free herd (mandatory annual TB testing) OR move directly to slaughter.

The USDA is currently reviewing its regulations used to determine a state's TB status when TB is detected.

CDFA Animal Health Branch Offices

Sacramento (HQ)	916-654-1447
Modesto	209-491-9350
Ontario	909-947-4462
Redding	530-225-2140
Tulare	559-685-3500
www.cdfa.ca.gov	

CDFA Milk and Dairy Foods Control Branch Offices

Stockton	209-466-7186
Oakland	510-622-4810
Fresno	559-445-5506
Ontario	909-923-9929

United States Department of Agriculture

916-857-6170 or 877-741-3690

National Dairy Situation and Outlook

Milk Production and Cow Numbers

Monthly: Compared to 2001, overall milk production across the U.S. was up 2.3% in October, led by Arizona's 12.0% growth in milk production (on 10,000 more cows and 75 more pounds per cow). California's production was up 4.0% (on 65,000 more cows and 10 more pounds per cow). Among other western states, New Mexico was up 11.7%, Idaho up 3.3%, and Washington up 0.4%. Two of the top 10 states reported decreases: Minnesota -4.4% and Pennsylvania -1.1%.

Quarterly: For the third quarter of 2002 compared to the third quarter of 2001, U.S. milk cow numbers were up 0.6% at 9.159 million, production per cow was up 2.5%; the net effect was a 3.2% increase in milk production to 41.9 billion pounds. USDA projects that for the fourth quarter of 2002 compared to the fourth quarter of 2001, U.S. milk cow numbers will increase 20,000 cows to 9.135 million cows, production per cow will be up 2.7%; the net effect would be a 2.7% increase in milk production to 41.9 billion pounds.

Milk Prices

Comparing the third quarter of 2002 to the second quarter of 2002, U.S. average milk prices were down \$0.75/cwt. to \$11.33/cwt. USDA projects that for the fourth quarter of 2002, U.S. average milk prices will be up \$0.50/cwt. compared to the third quarter; including a \$1.00/cwt. Class 4b price increase and a \$0.25/cwt. Class 4a price increase.

Utility Cow Prices


Comparing the third quarter of 2002 to the second quarter of 2002, average U.S. utility cow prices were down \$4.60/cwt. to a national average of \$38/cwt. USDA projects that utility cow prices will stay at current levels in the fourth quarter of 2002.

Information from the USDA-NASS publication "Milk Production" and the USDA-ERS publication: "Livestock, Dairy, and Poultry Outlook." 

HEARING - (Continued from Page 1)


attend the hearing, you may still participate in the hearing process by submitting written comments, including whatever facts, data or information that is supportive of your position. Your written comments should be addressed to the "Hearing Officer," Dairy Marketing Branch, 1220 N Street, Sacramento California, 95814.

A hearing exhibit folder will be prepared prior to the hearing, and will contain all recent, relevant information and data, including written comments and statements from those not able to attend and testify. The hearing folder will be available for public review on January 22, 2003, at two Sacramento Department locations: 560 J Street, Suite 150 (Dairy Marketing Offices) and 1220 N Street, Room A170 (Milk & Dairy Foods Control offices).

From the time that a hearing notice is issued and until the issuance of a final decision in a proceeding, Department employees involved in the decision-making process are prohibited from discussing the merits of the hearing issues on an ex parte basis with any person having an interest in the proceeding. Procedural matters are not subject to the above prohibition and may be discussed at any time. 

Dairy Marketing Branch Location Will Be Changing

The Department of Food and Agriculture is currently housed in the building located at 1220 N Street (both the main building and annex section) in Sacramento. The main building will be vacated, gutted, and a renovation project will begin in early 2003. This project is anticipated to be completed in 24 months.

During the renovation project, the Division of Marketing Services (including the Dairy Marketing Branch) and the Division of Inspection Services will be relocated to the Downtown Mall office space at 560 J Street (this move will take place in January or February). The actual mailing address for the Dairy Marketing Branch will remain 1220 N Street, however phone and fax numbers will be changing. Watch for details in upcoming issues and Department correspondence. 

USDA Announces Dairy Sector Actions

WASHINGTON, Nov. 15, 2002 – The U.S. Department of Agriculture today announced several actions affecting both domestic and international dairy program operations. Specifically, USDA announced program actions affecting imports of American-type cheese, the Milk Price Support Program, use of surplus nonfat dry milk (NDM) for humanitarian foreign assistance, and the Dairy Export Incentive Program (DEIP), as well as the current status of the Milk Income Loss Contract (MILC) program payments.

“The dairy sector is one of the most important to our agricultural economy and it is one of the most complex in terms of program operations,” said Agriculture Secretary Ann M. Veneman. “The programs are closely interconnected and, in taking these actions together, we have tried to make adjustments that will best serve dairy farmers and the entire dairy industry, not only in coming months but also over the longer term.”

Controls Activated for Surging American-type Cheese Imports

USDA announced today that it is applying the volume-based World Trade Organization (WTO) safeguard duty to above-quota imports of American-type cheese. The duty rises 16 cents per pound to its maximum permissible level through December 31, 2002. Under the Uruguay Round Agreement on Agriculture, the United States is entitled to apply an additional duty on imports of American-type cheese when imports exceed a specified trigger. The trigger for cheese, based on a three-year moving average of past imports, allows for growth but prevents sudden unanticipated market penetration. The trigger quantity has grown over four-fold in three years, from just under 9 million pounds in 1999 to over 36 million pounds this year.

Imports as of Sept.30 were just over 48 million pounds, well above the trigger level of 36 million pounds. The additional 16 cents per pound increases the overall duty to \$0.64 per pound, or \$1.407 per kilogram. Product en route to the United States will be exempt from the additional duty.

Price Support Product Purchase Prices Adjusted

The Farm Security and Rural Investment Act of 2002 (2002 Farm Bill) extended the Milk Price Support Program to December 31, 2007, at the support price

of \$9.90 per hundredweight (3.67-percent milk fat). The Commodity Credit Corporation (CCC) supports the price of milk by purchasing cheese, butter and NDM at announced prices. To help CCC manage accumulated inventories and control costs from these purchases, the Department of Agriculture is permitted to adjust the balance between the purchase prices of butter and nonfat dry milk up to twice each calendar year.

CCC has continued to accumulate large supplies of NDM over the past two years, but has not purchased any butter. CCC purchase prices for butter and NDM currently are out of balance with each other and their respective market prices. This market misalignment has resulted in CCC accumulation of NDM stocks well above USDA's ability to use the product, large taxpayer expenditures, growing storage costs, and widening market distortions.

To bring better balance to the markets for butter and NDM, CCC will increase the price it pays for butter 19.52 cents to \$1.05 per pound, and decrease its purchase price of nonfat dry milk 10 cents to \$0.80 per pound. These changes are effective for product manufactured on or after November 15, 2002.

CCC purchases of NDM in fiscal year (FY) 2002 totaled 619 million pounds, up significantly from the 418 million pounds purchased in FY 2001. At the end of FY 2002, USDA held an accumulated 1.3 billion pounds of NDM in inventory. This amount is 166% of annual domestic commercial utilization. The average annual disposition of CCC inventory over the last three years has reached only 120 million pounds. This includes donations to international food aid programs, the National School Lunch Program, and other domestic food assistance programs, including donations to institutions such as hospitals and prisons. This also includes a limited amount of product that has gone out of condition and sold at significant discount for animal feed manufacturing. To help reduce this cumbersome NDM inventory and to reduce recurring storage costs, USDA recently has undertaken several initiatives. These include:

- USDA implemented a livestock feed program in August to assist livestock operators in the states most severely stricken by drought. The program utilized NDM as a protein source in supplemental feed made available to farmers. This program has used 75 million pounds of NDM to date and is

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USDA Announcement - Continued

expected to use over 100 million pounds by the time the program concludes at year-end. It utilizes the oldest stock in inventory.

- CCC has also made available NDM for the production of casein, a high protein product used in cheese, other food products and some industrial applications. Just over 1 million pounds of NDM has been used to date for this purpose. It is anticipated that as much as 50 million pounds could be used over the next 12-month period.
- USDA has also designated up to 441 million pounds of non-fortified, nonfat, low-heat dry milk available for humanitarian assistance through the program carried out under Section 416(b) of the Agriculture Act of 1949. (A Federal Register notice published October 31 provides more details.) Currently, USDA is accepting proposals from U.S. private voluntary organizations and the World Food Program for programs that will use the NDM in beneficial ways. These include: distribution of NDM or products made from NDM to people in need; monetization for proceeds to fund several humanitarian objectives (HIV/AIDS, health, and nutrition); and school feeding programs. The level of donations in each program will depend on a comprehensive market analysis to ensure that utilization will not affect commercial sales or production in recipient countries.

USDA also encourages the submission of other proposals that would use more of the existing NDM inventories.

The accompanying fact sheet provides a tabular summary of the new prices. Further terms and conditions for purchases of dairy products will be contained in subsequent announcements.

U.S. Dairy Products Moved to World Markets

USDA also is announcing today the second allocation under the 2002/03 DEIP. Today's announcement makes available an additional 25,576 metric tons of NDM, 7,912 metric tons of butterfat and 1,137 metric tons of various cheeses. The total WTO limits for this year's DEIP are 68,201 metric tons of NDM, 21,097 metric tons of butterfat and 3,030 metric tons of various cheeses. With today's announcement, USDA has now made available a total of 42,626 metric

tons of NDM, 13,186 metric tons of butterfat and 1,894 metric tons of various cheeses under this program. Individual product and country allocations will be specified in Invitations for Offers, which will be available next week. Invitations will be posted on the Internet or will be available by calling FAS at 202-720-3224 or 202-720-6211.

USDA is utilizing a partial allocation process this year to better manage the DEIP sales program, make more of the product available throughout the entire year, and maximize the use of the program. The announcement of this allocation will assist U.S. dairy producers to improve their competitive position and build sustainable international markets.

Producer Payments Underway

The 2002 Farm Bill added another safety net program for dairy farmers by creating a new national dairy payment program, the Milk Income Loss Contract (MILC) program, that compensates producers when milk prices fall below a Congressionally specified level. Signup for the new program began in mid-August. Since October 1, USDA has issued payments of \$612 million under this program and expects the total during FY 2003 to exceed \$2 billion.

MILC payments occur in months when the price of Class I milk in Boston under the Northeast Milk Marketing Order falls below \$16.94 per cwt. The payment rate is 45 percent of the difference between \$16.94 and the Boston Class I price for that month.

In addition, the Department continues to make payments to dairy producers affected by drought under the Livestock Compensation Program (LCP). Dairy producers in counties that have received primary disaster designations due to drought in 2001 and/or 2002 are eligible for the program and will receive a fixed payment of \$31.50 per head for dairy cows they owned as of June 1, 2002. To date, USDA has paid \$100 million to dairy producers under this program.

"This series of actions will help better balance markets for U.S. dairy producers, improve the sector's competitive position in world trade, and use U.S. dairy products to meet humanitarian food assistance need," Veneman said.

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PROGRAM FACT SHEET

PURCHASE PRICES FOR SURPLUS DAIRY PRODUCTS (Dollars Per Pound)

PRODUCTS	Produced before November 15, 2002 and Offered by November 29, 2002	Produced on or after November 15, 2002 or Offered after November 29, 2002
BUTTER:		
U.S. Grade A or Higher 25-kg blocks, Salted	0.8548	1.0500
NONFAT DRY MILK: 1/		
Nonfortified 2/	0.9000	0.8000
Fortified (Vitamins A & D)	0.9100	0.8100
CHEESE:		
40-lb. Block Cheddar 3/	1.1314	1.1314
500-lb. Barrel Cheese 4/	1.1014	1.1014

- 1/ Spray Processed, U.S. Extra Grade, not more than 3.5% moisture, 25-kg bags. Nonfat dry milk in bags, which are classified as "Type X", will be accepted at a discount of 0.50 cent per pound.
- 2/ Standard moisture basis (37.8 to 39.0% moisture). The prices per pound for bulk cheese, which contains less than 37.8% moisture, can be calculated using the following formula: $(100\% - \% \text{ moisture} \times \text{base price}) \div 61\%$; the result rounded to the nearest fourth digit to the right of decimal. Fifth digit of 5 or more is rounded up, 4 or less is rounded down.
- 3/ U.S. Grade A or higher, not more than 38.5% moisture.
- 4/ U.S. Extra Grade, not more than 36.5% moisture.



Bob Horton Announces Retirement

Robert Horton, Chief of the Milk Pooling Branch, is retiring at the end of November 2002. Bob came to work at the Milk Pooling Branch in the Los Angeles office in February 1970 as an Auditor I. He progressed up the auditor career ladder to the General Auditor III position and moved to Sacramento in 1976. Bob was promoted in 1979 to the Supervising Auditor I position where he supervised a group of field auditors. Since that time Bob's responsibilities included the role of Milk Pooling Operations Manager where he was responsible to ensure that the monthly statewide Milk Pool is processed so that the monthly pool handler obligations are calculated and producer pool prices are established and announced. In September 2000, Bob was promoted to Chief of the Milk Pooling Branch.

So, after almost 33 years with the Milk Pooling Branch and the California Department of Food and Agriculture, Bob has decided to hang-up his milking stool and those early morning commutes. Bob has been dedicated to his work and his knowledge and love of Milk Pooling has been outstanding. We will miss him and wish Bob and his family the best during his well-deserved retirement.

WHY IS MILK REGULATED?

This is the second article of our series on milk pricing in California. Watch for additional articles on pricing issues in future issues of the California Dairy Review.

Prior to state or federal governments' involvement in milk markets, a small number of large, well-organized processor-handlers controlled milk price negotiations. As a group, producers were not well organized and subject to the whims of these few but influential handlers. In an attempt to elevate their bargaining position, producers banded together to form dairy cooperatives. The main objective of these cooperatives was to gather enough membership to bargain effectively for a desirable milk price.

The success of early dairy cooperatives was limited. Effective price negotiations were impaired by the willingness of non-member dairy producers to sell their milk for less than the price negotiated by the cooperatives. These events persisted across the U.S. While other states were able to seek assistance from the federal government, the power imbalance in California's milk markets was deemed to be a "local" problem that did not need federal assistance. In 1935, the California Legislature addressed the inequities in milk markets by passing legislation that was intended to correct some of the existing market failures and disorderly practices.

Much has changed in the way that the dairy industry operates over the past 67 years. It follows from this notion that a question could be raised regarding the continued need for government intervention in milk markets. That is, does the dairy industry still need government oversight to achieve orderly marketing of dairy products? While much has changed in the dairy industry since 1935, many of the characteristics of milk, marketing of milk and related economic conditions that justified the government's intervention in the 1930's have remained the same. Some of the key characteristics are:

- Milk is a perishable product and must be harvested daily,
- Producers outnumber processors 20 to 1,
- Health regulations are insufficient to assure an adequate supply of milk,

- Production is highest when demand for fluid milk is at a seasonal low,
- Milk continues to be viewed as a necessary food item, particularly for children.

Marketing of milk and dairy products faces many of the same challenges that other commodities face. Without economic regulation, a strong potential exists for volatile and chaotic production and marketing practices. Milk supplies and market demands would be out of balance for extended periods of time. The swings in milk prices between the highs and lows are likely to be much greater without the stability offered by regulation.

The Dairy Marketing and Milk Pooling Branches continue to play major roles in the California dairy industry. The two branches work together to administer a regulated dairy program structure that is fair to all parties involved while helping to provide nutritious dairy products to consumers at fair and reasonable prices. ☀

Mailbox Milk Prices

Each month the California Dairy Review publishes the latest available mailbox milk prices map and monthly comparison chart as a comparison tool for both producers and processors.

The criteria used for calculating California mailbox prices is the same as that used by USDA. Mailbox milk prices provide producers and processors with a handy reference for comparing prices received by California producers. California mailbox prices can also be compared with mailbox milk prices from other regions of the nation.

The mailbox price is defined as the net price received by dairy farmers for milk. The mailbox price includes all payments received for milk sold and deducts costs associated with marketing the milk. It does not matter whether a California producer is shipping milk to either a cooperative or a proprietary plant. The mailbox price will be comparable. ☀

CDFA Board and Committee Opportunities

Have you ever thought you would like to have a voice in dairy industry matters that affect you and others like you? If so, you may want to consider serving as a member of one of the California Department of Food and Agriculture's (Department) boards or committees. The Department has numerous boards and committees made up of members of the agricultural community and the general public. These members serve as representatives of their peers, and provide a vital role in assisting the Department with various policy responsibilities. This article discusses three groups that assist with milk marketing functions, other Department groups and committees will be discussed in future newsletters.

The Milk Producers Security Trust Fund Board

This Board and the Milk Producers Security Trust Fund (Fund) were established by legislation adopted in 1987. The Board consists of seven members appointed by the Secretary of the Department. The role of the Board is to advise the Secretary on the administration of the Fund, including fund defaults, payment of claims, implementation of security charges necessary to maintain the Fund, and enforcement issues.

The seven members are comprised of three milk producers, two licensed handlers, and two non-producer members representing cooperative associations. The members are usually selected from different geographic areas of the state, to ensure that all areas are represented. Members are appointed for three-year terms, and may not serve more than three consecutive terms. Board members receive \$100 per day for attending Board meetings or conducting the business of the Board and also receive reimbursement for the travel expenses of transportation, meals, and lodging. The Board normally meets twice a year in Sacramento for a one-day meeting.

Each year in October, or whenever it becomes necessary to recruit new members, the Department sends an announcement to the dairy industry requesting nominations. The Department is currently seeking nominations for four upcoming expiring terms of office. Nominations are due in December, with new appointee terms set to begin in January. Current members are: Richard Cotta, Ed Gassmann, Gary Imm, Alan Pierson, Joe Pimentel, Jr., Bill Van Leeuwen, and Case Van Steyn. The

members whose terms are expiring are Richard Cotta, Gary Imm, Bill Van Leeuwen, and Alan Pierson. These members are all eligible for reappointment.

The Milk Producers Review Board

This Board, authorized by Section 62719 of the Food and Agricultural Code, advises the Secretary on the administration of the Pool Plan for Market Milk. The Secretary appoints members from nominations submitted by dairy producers. The Board meets an average of two times per year, usually in Sacramento, to hear producer hardship cases and to review the Milk Pooling Branch budget.

The Department is currently seeking nominations for six terms which will expire December 31; the Department recently sent all producers a notice for nominations to this Board. Members serve four-year terms, with a maximum of two terms. The Board is comprised of 12 dairy producers representing the State's major milk producing areas, and a member from the general public. For producer members, not more than three may be producer-managers of associations and not more than two shall be producer-handlers. Members receive \$100 per day for attending Board meetings or conducting Board business, and also receive reimbursement for the travel expenses of transportation, lodging, and meals. Current members are: Hank Van Exel, Frank D. Borba, Jr., Adrian Kroes, Harvey Moranda, Wallace Garcia, Tom Mendes, George Borba, Jr., Cornell Kasbergen, Louie Durrer, Domenico J. Carinalli, and Brad Leal. B. J. Teunissen was a member who resigned, the other members whose terms will expire at the end of the year are: Hank Van Exel, Frank D. Borba, Jr., Adrian Kroes, Harvey Moranda, and Wallace Garcia. Of the six expiring terms, Mr. Van Exel and Mr. Borba are the only members eligible for reappointment.

The Dairy Advisory Committee

This Committee was created by the Secretary of the Department in the early 1990's to advise the Department on matters concerning the dairy industry. The Committee's functions include review and approval of the annual budgets of the Dairy Marketing and Milk Pooling Branches, and to provide advice on national and

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Committees - Continued

state dairy policy issues, and departmental policies and procedures. Committee members are appointed by the Secretary and represent various segments of the dairy industry: independent producers, producers with processor interest, producer trade associations, cooperative trade associations, cooperative managers, processors, processor trade associations, and the public. There are currently 25 members who serve on the Committee and meetings are usually held twice a year, or as needed. The current members are: Chuck Ahlem, Phyllis A. Bramson-Paul, Richard Cotta, Jim Dolan, Fred Douma, Richard Ghilarducci, Jim Gomes, Sharon Hale, Judy Herum, John Jeter, Gary Korsmeier, Mark Librizzi, Mike Marsh, Lynn McBride, Steve Nash, Elisa Odabashian, David Parrish, Andy Rynsburger, Larry Serpa, Rachel Kaldor, Margo Souza, Sue Taylor, Jim Tillison, Geoffrey Vanden Huevel, and John Zonneveld, Jr.

This Committee does not have specific terms of office (length) for its members. Those wishing to serve may write a letter expressing their interest and qualifications to the Secretary of the Department.



In Memoriam

It is with heartfelt sadness that the Dairy Marketing Branch announces the recent passing in October of Eugene Carpenter, a long-time employee of the Department. Eugene joined the Department as an auditor in 1950 in the Fresno area office. In 1968, he transferred to Sacramento and worked in what is now the Milk Pooling Branch. Eugene was well known by all in the dairy industry for his dedicated work ethic and determination, which was instrumental in the start-up of the Milk Pooling Program. Eugene was a good friend to many in the Department as well as the dairy industry and he will be missed.

CDFA Manufacturing Cost Studies Completed

On Monday, November 25, 2002, the Department released the latest manufacturing cost studies and related commodity pricing comparisons. This information is available by contacting the Dairy Marketing Branch, 916-654-1456, or visit our website at www.cdfa.ca.gov/dairy (near the bottom of the page under "New" items).

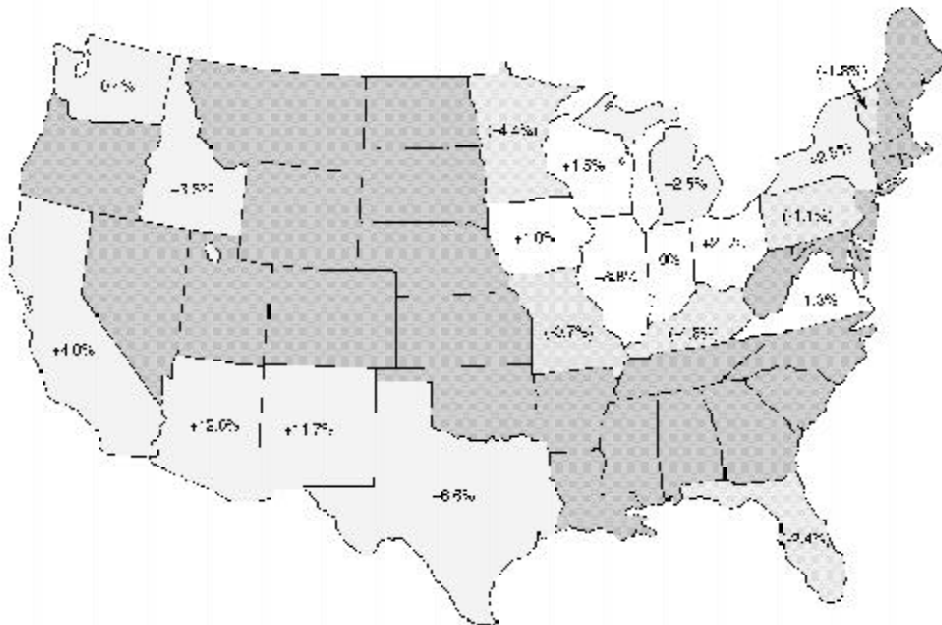


CDFA Outreach Meetings



Dairy Marketing and Milk Pooling Branch staff meet with dairy producers at a recent outreach meeting to discuss current milk pricing issues. These outreach meetings are very helpful to producers and handlers that may have questions about the milk pricing formulas or milk pooling system.

October Milk Production in the Top 20 States (% Change from 2001)



For the U.S. overall, October 2002 compared to October 2001:

- Milk production during October was up 2.4%
- The number of cows on farms was 9.167 million head, up 81,000 head
- Production per cow averaged 1,520 pounds, 22 pounds above October 2001 (+1.5%)

Milk Production Cost Index for California

Month	Del Norte / Humboldt		North Bay		North Valley		South Valley		Southern California		Statewide Weighted Average	
	2001	2002	2001	2002	2001	2002	2001	2002	2001	2002	2001	2002
<i>Dollars per Hundredweight</i>												
January	14.68	15.39	13.66	14.17	12.60	12.97	12.09	12.90	13.04	13.10	12.5165	13.0110
February	14.68	15.39	13.66	14.17	12.60	12.97	12.09	12.90	13.04	13.10	12.5165	13.0110
March	12.66	13.18	13.10	14.11	12.39	12.50	12.00	12.49	13.20	12.98	12.3930	12.6245
April	12.66	13.18	13.10	14.11	12.39	12.50	12.00	12.49	13.20	12.98	12.3930	12.6245
May	11.43	11.59	13.15	13.36	12.66	12.50	12.39	12.94	13.57	13.05	12.7255	12.8019
June	11.43	11.59	13.15	13.36	12.66	12.50	12.39	12.94	13.57	13.05	12.7255	12.8019
July	11.75	11.36	13.50	13.82	12.75	12.59	12.95	13.57	13.91	13.42	13.0678	13.1835
August	11.75	11.36	13.50	13.82	12.75	12.59	12.95	13.57	13.91	13.42	13.0678	13.1835
September	12.89		13.57		13.04		12.99		14.19		13.2516	
October	12.89		13.57		13.04		12.99		14.19		13.2516	
November	14.23		14.09		12.86		12.69		13.45		12.9463	
December	14.23		14.09		12.86		12.69		13.45		12.9463	

HUNDREDWEIGHT POOL PRICES

Month	Quota	Overbase
June '01	\$16.46	\$14.76
July	\$16.35	\$14.65
August	\$16.70	\$15.00
September	\$16.95	\$15.25
October	\$14.71	\$13.01
November	\$13.67	\$11.97
December	\$12.93	\$11.23
January '02	\$13.18	\$11.48
February	\$12.53	\$10.83
March	\$12.37	\$10.67
April	\$12.41	\$10.71
May	\$12.06	\$10.36
June	\$11.60	\$ 9.90
July	\$11.28	\$ 9.58
August	\$11.48	\$ 9.78
September	\$11.58	\$ 9.88
October	\$11.84	\$10.14

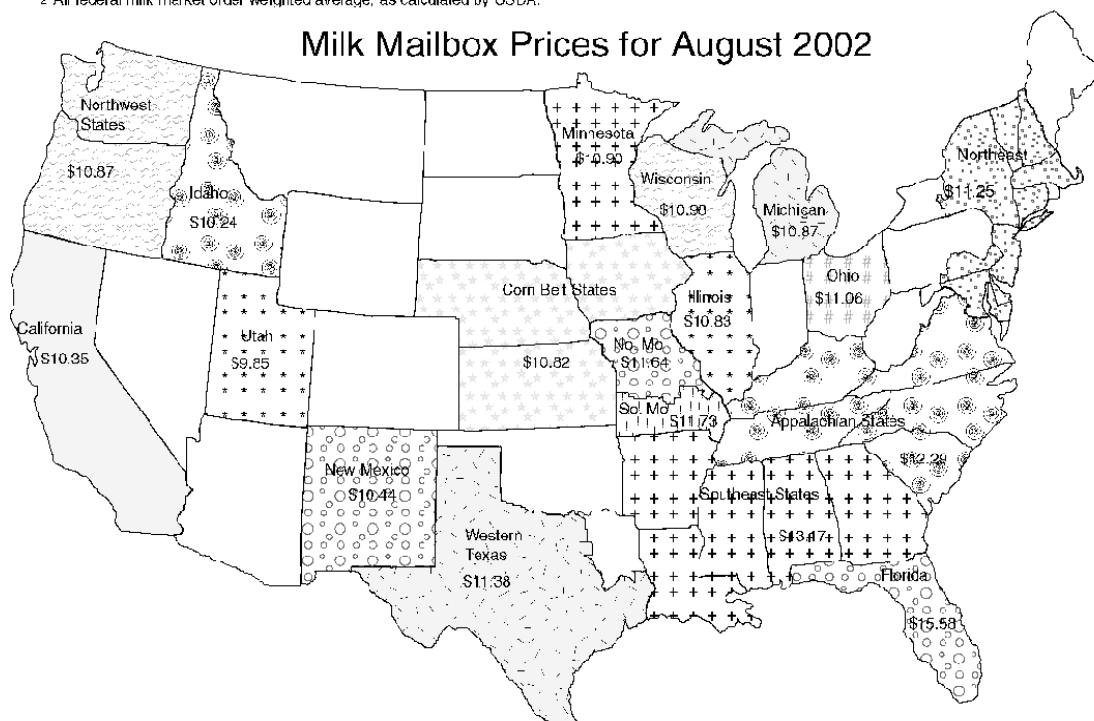
Milk Mailbox Prices in Dollars per Hundredweight

	Feb '02	March	April	May	June	July	August
California ¹	\$11.73	\$11.46	\$11.37	\$10.98	\$10.44	\$10.11	\$10.35
USDA	\$12.91	\$12.39	\$12.16	\$11.83	\$11.33	\$10.95	\$11.18

¹ California mailbox price calculated by CDFA.

² All federal milk market order weighted average, as calculated by USDA.

Milk Mailbox Prices for August 2002



In August 2002, mailbox milk prices for selected reporting areas in Federal milk orders averaged \$11.18 per cwt., \$0.23 more than the figure for the previous month. On an individual reporting area basis, mailbox prices increased in all reporting areas except one, and ranged from \$15.58 in Florida to \$9.85 in Utah. In August 2001, the Federal milk order all-area average mailbox price was \$10.28, \$5.10 higher.